LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS

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ADMINISTRATIVE RULE
FISCAL IMPACT STATEMENT

PROPOSED RULE: 00-420 **DATE PREPARED:** Apr 3, 2002
STATE AGENCY: Family and Social Services Administration **DATE RECEIVED:** Feb 20, 2002

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Digest of Proposed Rule: The proposed rule establishes reimbursement criteria under the Medicaid Program for community residential facilities for the developmentally disabled that are licensed to care for adults with extensive medical needs. The rule adds language that specifies how the average inflated cost of the median patient day will be established if there are fewer than six homes licensed. (The rule ties this amount to the existing statewide median for basic developmental homes increased by 159%.)

The rule further specifies a similar treatment in determining the fiftieth percentile rate for small extensive medical needs residences for adults if there are fewer than six such facilities licensed. This type of licensed facility is also added to the profit add-on table and the overall rate limit table in order to determine reimbursement rates under Medicaid for these types of facilities.

Governmental Entities: *State Impact:* The Family and Social Services Administration (FSSA) estimates that the rule will result in a savings of $1,522,926 annually to the state. FSSA attributes the estimated savings to the placement of 200 residents from Muscatatuck State Developmental Center, and the Fort Wayne Developmental Center, former residents of New Horizon Developmental Center (now in transitional placements), and residents of nursing facilities into the small extensive medical needs residences for adults.

A review of the assumptions used in calculating this level of savings shows that approximately $1 M of the estimated expenditure reduction is due to transitioning 20 residents of the Medicaid-decertified, and now closed, New Horizon Developmental Center back into full Medicaid reimbursement. The state had been paying these costs at 100% rather than at the state's Medicaid matching rate of 37.96%. The amount of expenditure reduction attributable solely to the rule change, using the savings methodology outlined by FSSA, is estimated to be $509,174 per year. The rule does not allow for additional licensed beds to be added to the state's inventory, rather it allows for the conversion of group home beds to the new Small Extensive Medical Needs Residences for Adults category.

This rule places no unfunded mandates upon state government or any local government unit.

Local Impact: The rule has no fiscal impact on local governmental entities. The impending closure of Muscatatuck State Developmental Center and the down-sizing of the Fort Wayne Developmental Center, made possible by this new licensure and reimbursement category, will have secondary economic consequences to the local communities.

Regulated Entities: FSSA anticipates that the proposed rule will allow approximately 200 residents to move from their current facilities into small extensive medical needs residences for adults. The Medicaid rates calculated for these residents will be different for the new provider classification, and the state may achieve savings of approximately $0.5 M annually.

Information Sources: Proposed Rule LSA Document # 00-420, "Estimated Fiscal Impact Analysis for 12 Hour Small Extensive Needs Residences for Adults" Prepared by Myers and Stauffer, LC., December 18, 2001.